

Statement of Cassandra Doyon, Owner of the Rocky Mountain Timber  
Products & Doyon Logging  
To the House Resource Committee  
Subcommittee on Forests and Forest Health

On Issues Affecting Jobs in the Forest Industry.  
Wednesday, February 4, 2004

**A Small, Start-Up Mill Perspective  
From Southwest Colorado**

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to speak with you today. My name is Cassandra Doyon. I am co-owner of Rocky Mountain Timber Products and Doyon Logging in Del Norte, Colorado. My husband Richard and I ventured into saw milling in 2003 as a means to continue working in the woods. Rocky Mountain Timber Products was born out of five mill closures in three states over the last five years. For twenty years, our logging company supplied raw material to a number of production mills: US Forest Industries, South Fork, CO; Rio Grande, Espanola, NM; Louisiana Pacific mills in Olathe and Walden CO and Saratoga, WY. In 2001 we purchased a log loader with the help of the Four Corners Sustainable Forests Partnership in order to supply material to Saratoga, WY by rail. This mill stopped buying material in late 2002.

Since no one was left to buy our forest products, we decided to open a mill of our own. In June of 2003, after two years of research into equipment, markets, costs, and other planning, we purchased a 1970 Circle Saw mill in Utah and brought it to Colorado. We employ ten people at the mill and seven people remain on our logging crew in addition to Richard and myself. Del Norte is located in the San Luis Valley, and has a population of approximately 1700. The San Luis Valley is a rural area where good jobs are scarce, and the jobs we provide are significant. We also contract with several trucking outfits. At this point, we are primarily producing dimensional lumber and beams. We have just added a Planer. This allows us to produce tongue and groove products as well as house logs. We are always looking for innovative ways to better use of byproducts and add value to our business.

We waste nothing, as everything that comes into our mill leaves as a product. The bark, shavings, and sawdust all end up as mulch or animal bedding either on farms in the San Luis Valley or with Renewable Fiber, a newly formed animal bedding company, near Denver. The creation of this small operation has required over \$600,000 in start-up capital. We have received a small amount of assistance from the Four Corners Partnership and the US Forest Service Economic Action Programs via the Rio Grande National Forest. The rest has required a great deal of personal financial risk on our part and our bankers unwavering trust.

We have projected that our mill will need about 3 to 4 million board feet of logs per year to break even. Our raw material is primarily sourced from thinning and restoration work on private land in NM, 120 miles away. We handle most local species: spruce, white fir, ponderosa pine, and aspen. Most of the wood we handle is small diameter and timber of low quality. Fortunately, the private land we work on does have a few larger trees that need to be removed for restoration too. These higher value trees help us cover the costs of our restoration work and make the business economically viable. We must have a variety of size classes to make the mill work. A few larger trees can make it worthwhile to restore a forest and take away the small trees that are the big problem. This does not mean we are looking only for large trees or to high- grade forests. We see ourselves as part of what we hope will be an emerging “restoration industry” providing a service to the forest, land managers, and consumers. Our business is designed to help improve forests for all values - forest health, wildlife, watershed, and others while also producing products that people want. According to a study conducted by Dr. Denny Lynch at Colorado State University in 2001, 95% of the wood product used by Coloradoans comes from out of state. This should not be the case.

Before the production mills closed we had no need to personally buy federal timber sales. Companies like US Forest Industries would purchase timber sales and then contract with logging companies like ours to bring the wood to the mill. This was good for us because the mill bore the risk involved with markets and the costs involved with bonding. Now we are both the logger and the mill. We now have entered the very complex world of bidding on federal projects.

For our mill to be successful, we will have to perform restoration activities on and timber contracts from surrounding National Forests. Yet, we have not been the successful high bidder to date for national forest timber sales.

The Rio Grande National Forest planned to sell salvage sales of trees killed in the Million fire in June 2002. However, 20 months after the fire, the Rio Grande National Forest still does not have a Decision Notice for that project, let alone sell any of the dead trees that are quickly deteriorating. There is a similar situation on the San Juan National Forest, also in our working circle. The Missionary Ridge fire burned 75,000 acres. Their EIS proposed to manage only a few thousand acres in well roaded areas. Last week, a federal judge issued an injunction on this project. The wood will not be viable after this summer. The aspen alone in that rehabilitation effort (approximately six million board feet) would have run a small mill for an entire year. We hope that the National Forests in our area will be able to offer more consistent access to projects that can provide raw materials. We also hope they will start to offer stewardship contracting opportunities. We appreciate the “best value contracting” provisions in stewardship contracting, which allow the agencies to consider factors other than low bid. Being a local business with a good record of quality performance would give us a better chance at winning a project. As it stands, timber sales are awarded to the high bid and service contracts are awarded to the lowest bid.

## Summary of Issues

The wood products industry in the western United States lacks the ability to carry out large-scale restoration projects. The infrastructure to process small-diameter and underutilized trees generally does not exist, or is economically infeasible given low product values. In many regions, the lack of a consistent material supply from public lands hinders contractors' ability to invest in the necessary equipment.

Several years ago when Richard and I began to realize that what little infrastructure was left in our region would be gone soon, we felt hopeless. Our employees are like family and our love of forests and forestry is generational. There are literally thousands of acres just in our county that are in need of restoration and many have already been impacted by insects, disease, and fire. We have taken a huge personal risk in order to continue playing a role in restoring our forests and hopefully continuing our livelihood. The deeper we get into this new business the more apparent it becomes as to why many don't make it. I would venture that a small restoration oriented mill in the West is probably one of the most disadvantaged businesses there is. Let me offer just a few examples that illustrate this:

- **Need for US Forest Service Projects:** Most of our counties are 75 percent or greater federal land. While we can get some private land work, the largest need for restoration is not on private land. The most accessible wood and the forests in need of restoration are right in our back yard and the land is federal. For small business like ours, hauling distances make a critical financial difference. Even a small program of timber sales and thinning projects would make our businesses more viable. But, they must be consistent. There is no predictability in what to expect from any of the National Forests. The agency talks about lots of projects to meet National Fire Plan objectives but not many have materialized. We want to restore our national forests. They are our backyard and we want them to be there for generations to come.
- **An agency burdened:** The Forest Service seems very weighed down by a jumble of confusing and often conflicting policies and rules. While we do not blame them entirely, the result is that not a whole lot gets done in terms of tangible projects.
- **Poor Quality material:** Most of the trees we get to make our products are low quality. Much of our forests are suffering from insects, disease and over crowding. This results in the types of fires we have seen over the last few years. So, in typical restoration projects, we have to cut and handle a lot of low quality trees. We also try to cut a few good ones in order to do well in our local markets and make the economics work. There is still a lot of uncertainty and risk for small enterprises like ours trying to make any profit while conducting restoration work.
- **International Competition:** Canada, Mexico, Chile and other countries are simply out – competing us. They can bring in finished products cheaper than we can produce rougher products. Freight costs are about the only advantage we have.
- **Regulations:** We welcome regulations that make doing business safer. In fact, workers safety and health is a top priority in our business. But again the playing

field seems unlevelled for our type of business. Our business is considered risky so workman's compensation and insurance costs continue to climb each year, yet our profit margins continue to shrink. Meeting these costs is particularly difficult for a small enterprise like ours. We need flexibility and training to better implement OSHA rules. Big fines would shut us down for good. We need training programs and help in complying with the many rules that apply for our type of operation.

- **Training:** We and the US Forest Service could use training opportunities that show us each how to do a better job with the new hybrid contracts that are coming out. We need help on how to prepare a successful bid package for a stewardship contract. There are so many factors and risks involved with federal contracts. They need training on how to factor in the constraints and costs for small businesses like our workman's comp costs, Davis-Bacon wage requirements, etc. I am attending a workshop for bidders in Durango, CO later this week sponsored by the Four Corners Partnership and Colorado State Forest Service. Hopefully, this will be a start.

### **Federal Policy Initiatives**

As you can see there are many factors that affect a business like ours, but I am going to focus my comments on those policies and issues under the purview of this committee.

It is difficult to keep track of the many federal policies and regulations that ultimately result in very little management on public lands. For an outside observer, federal agencies seem continually running from one new initiative to the next, trying to adapt, but essentially being ineffective. In Region 2 of the Forest Service, the budget has increased over the last few years each year but actual projects on the ground have continued to decline. Just in the last few years we have seen the Roadless Area Initiative, reintroduction of Lynx, an emphasis on Management Indicator Species, new National Forest Planning rules, the National Fire Plan, Stewardship Contracting and now the Healthy Forests Initiative. Each of these things is absolutely important and could have positive implications for the betterment of our forests. But, they seem to only add to the confusion and internal conflict of Forest Service staff. The Agency seems to get whipped around, and in the end, they get very little done. The Forest Service does not suffer, but the communities and businesses like ours certainly do. The fires continue to burn at unnatural levels, forest health declines, and we are unable to keep our businesses viable.

As I mentioned, we have lost virtually the entire forest and wood products infrastructure in our area. We need to rebuild an infrastructure—a skilled workforce and business enterprises—if the critical work of restoring healthy forest ecosystems is to be accomplished. We also need to create innovative, value-added enterprises to use the byproducts of this restoration work, if we are to establish a viable and appropriate economy. From what we have seen, the greatest opportunity to start building this infrastructure is with small entrepreneurial companies like ours looking for a market niche. Small companies might not accomplish large-landscape objectives quickly, but we can build capacity, begin doing the important work, and start building trust and lessons... if we are given a chance. Colorado and other states with forest health issues need businesses like ours to serve as a management tool and to provide jobs, a tax base, and

products. We are small but we are also a real part of our community. If we go out of business our area has not only lost good jobs, but also the land manager has lost an important tool.

I would like to make a few suggestions that would help support the establishment of forest product businesses, like ours:

1. Consistent program of work– We do not expect a guaranteed supply. However, the Forest Service must be a consistent, predictable supplier of material. Our business planning depends on being able to predict where our supply of wood will come from each year, and we need accurate reliable information from the Rio Grande and San Juan National Forests. Each Forest should be able to make a mix of projects that include multiple objectives for restoration available each year. For example, a forest could provide a thousand acres a year of pine restoration work that are more like traditional timber sales, two service contracts for various restoration activities that have little to do with product removal, and treatments to create one hundred acres of aspen restoration. If a Forest would combine their objectives for restoration, fuels reduction and timber sales, this would be possible. We are not asking for industrial forestry, we want restoration work. The traditional approach to management used by the Forest Service won't work today.
2. Utilize Stewardship Contracting – Stewardship Contracts open new opportunities for meeting forest plan objectives for the National Forests Now that the stewardship contracting authorities have been expanded from the pilot program, this should be possible. This would help meet some of our predictability needs for planning and investment. If we have several thousand acres to manage over five years, it would allow us to work with the markets, meet a number of land management objectives for the agency, and allow us to reduce the enormous risks we have, and the Agency would get quality work. Issues remain over the agencies ability to commit to longer-term contracts due to annual appropriation limits and other complications. They need help figuring out how to make these projects available without putting all the financial risk on the operator.
3. Healthy Forests Initiative – To truly have a healthy forest initiative, the Administration and Congress need to fund restoration work, and to help small local business stay in business. Ecologically our forests are out of balance, we need to put that balance back, and we need an infrastructure of people who can do it. We are excited about the possibility that this legislation will help reduce the risk of fires and insect epidemics on the Rio Grande and San Juan National Forest, and we are hopeful that these National Forests will be able to implement projects quickly that we can bid on. The Healthy Forest Restoration Act (HR 1904) calls for two provisions that are very important to communities, and therefore to local small businesses like ours: local collaboration through the development of community wildfire protection plans, and multiparty monitoring. Multiparty monitoring processes measure not only ecological but also social and economic effects and include different stakeholders. We want to make sure that communities have the capacity and resources to both develop their community wildfire protection plans through collaborative processes, and assess the

accomplishments and effects of the implementation of this hazardous fuels reduction program. There is a need for federal officials and local stakeholders, including potential contractors and workers to receive training on how to do collaboration at the local level. Collaboration is not something that can be done or designed by the federal agencies alone. Considerable experience has been gained on how to develop collaborative efforts through existing authorities for stewardship contracting pilots, the Collaborative Forests Stewardship Program in New Mexico, and the Secure Rural Schools and Community Self-Determination Act. In the elaboration of community wildfire protection plans, sufficient levels of funding should be allocated to ensure that up-front collaboration and multiparty monitoring are a reality in rural America.

4. Flexibility – Today's timber sales and service contracts are an opportunity to improve forest health, reduce fire risks, improve habitat, rehabilitate roads, etc. They aren't yesterday's efforts to get out the cut. Operators and Forest Service staff need to work together on those projects closely to achieve these objectives and make the projects financially feasible. Seasonal closures and operating restrictions often leave only several months a year to get equipment moved in and work done. But there are many opportunities to be more flexible about those closures, especially if say the closure is for winter recreation and we have no snow.
5. Treat the Landscape – The Forest Service and partners should look at the needs of their landscape: fire risk, habitat, watershed, etc. Priority should be placed on managing those areas that are at greatest risk and that have highest ecological values. Priorities should not be artificially constrained by what is in the wildland urban interface. The National Fire Plan seemed to bring more equipment, staff, prescribed burning, and hydro axing but very little in terms of actual thinning and restoration projects. The Healthy Forest Initiative seems to provide opportunity for a local collaborative process to identify and prioritize restoration projects for implementation.
6. Rural community assistance – Small, innovative enterprises like ours, trying to develop a niche in doing forest restoration could use some help. The Forest Service has provided technical and financial assistance to small companies through its rural community assistance program. We would like to see this program strengthened in order to help companies in rural communities to identify new technologies and marketing strategies to become successful. We have personally benefited from these programs via both the Rio Grande and the Four Corners Sustainable Forests Partnership. The grants we received from Four Corners made our mill operation possible. We have also received a lot of technical assistance through utilization and marketing experts jointly funded by those US Forest Service Programs and Colorado State Forest Service.

I would urge Congress to implement mechanisms to increase investment in and support for small business development, and to increase congressional oversight of trade practices to protect local industry from global markets.

Thank you again for this opportunity.